

**REPORT OF THE AUDIT OF THE
ALLEN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ALLEN COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Allen County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

Financial Condition:

The fiscal court had net assets of \$8,064,341 as of June 30, 2004. The fiscal court had unrestricted net assets of \$392,691 in its governmental activities as of June 30, 2004, with total net assets of \$8,031,859. In its enterprise fund, total net cash and cash equivalents were \$32,482 with total net assets of \$32,482. The fiscal court had total debt principal as of June 30, 2004 of \$3,419,786 with \$169,785 due within the next year.

Report Comments:

- Fiscal Court Should Amend Budget For The Expenditure Of Unanticipated Revenues In A Timely Manner
- Fiscal Court Should Fix Compensation For All County Employees
- Fiscal Court Should Strengthen Internal Controls Over Receipts Of Decentralized Locations

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Johnny Hobdy, Allen County Judge/Executive
Members of the Allen County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Allen County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Allen County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has elected to implement Governmental Accounting Standards Board Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
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Members of the Allen County Fiscal Court

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allen County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2006 on our consideration of Allen County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of comments and recommendations, included herein, which discusses the following report comments:

- Fiscal Court Should Amend Budget For The Expenditure Of Unanticipated Revenues In A Timely Manner
- Fiscal Court Should Fix Compensation For All County Employees
- Fiscal Court Should Strengthen Internal Controls Over Receipts Of Decentralized Locations

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
January 19, 2006

ALLEN COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Johnny Hobdy	County Judge/Executive
Edward Isenberg, Jr.	Magistrate
Franklin Hogue	Magistrate
Hollis Herald	Magistrate
Braddie Williams	Magistrate
Roman Perry, Jr.	Magistrate

Other Elected Officials:

William P. Hagenbuch, Jr.	County Attorney
James H. Patrick	Jailer
Beverly Calvert	County Clerk
Todd Calvert	Circuit Court Clerk
Les Marsh	Sheriff
Lena Williams	Property Valuation Administrator
Michael Wimpee	Coroner

Appointed Personnel:

Melba Patrick	County Treasurer
Beverly Anderson	Occupational Tax Collector
Mariah Burnley	Finance Officer

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ALLEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2004

ALLEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 480,839	\$ 32,482	\$ 513,321
Receivables	178,349		178,349
Total Current Assets	659,188	32,482	691,670
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	330,638		330,638
Land	222,700		222,700
Buildings	2,792,059		2,792,059
Other Equipment	93,884		93,884
Vehicles and Equipment	421,421		421,421
Infrastructure Assets - Net of Depreciation	6,931,755		6,931,755
Total Noncurrent Assets	10,792,457		10,792,457
Total Assets	11,451,645	32,482	11,484,127
LIABILITIES			
Current Liabilities:			
Bonds Payable	95,000		95,000
Financing Obligations Payable	74,786		74,786
Total Current Liabilities	169,786		169,786
Noncurrent Liabilities:			
Bonds Payable	2,710,000		2,710,000
Financing Obligations Payable	540,000		540,000
Total Noncurrent Liabilities	3,250,000		3,250,000
Total Liabilities	3,419,786		3,419,786
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,372,671		7,372,671
Restricted For:			
Debt Service	178,349		178,349
Grant Projects	88,148		88,148
Unrestricted	392,691	32,482	425,173
Total Net Assets	\$ 8,031,859	\$ 32,482	\$ 8,064,341

The accompanying notes are an integral part of the financial statements.

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ALLEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

ALLEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received			
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 1,946,695	\$ 6,229	\$ 564,245	\$	
Protection to Persons and Proper	1,153,640	618,375	140,239	202,870	
General Health and Sanitation	633,454	384,241			
Social Services	21,795				
Recreation and Culture	32,919				
Roads	235,099		1,517,740		
Debt Service	198,521				
Total Governmental Activities	4,222,123	1,008,845	2,222,224	202,870	
Business-Type Activities:					
Jail Canteen	69,259	77,123			
Total Business-Type Activities	69,259	77,123			
Total Primary Government	\$ 4,291,382	\$ 1,085,968	\$ 2,222,224	\$ 202,870	

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Net Profits Taxes

Other Taxes

Excess Fees

Interest Received

Insurance Reimbursement

Miscellaneous Revenues

City's Portion Of Courthouse Renovation Deb

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

ALLEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,376,221)	\$	\$ (1,376,221)
(192,156)		(192,156)
(249,213)		(249,213)
(21,795)		(21,795)
(32,919)		(32,919)
1,282,641		1,282,641
(198,521)		(198,521)
(788,184)		(788,184)
	7,864	7,864
	7,864	7,864
\$ (788,184)	\$ 7,864	\$ (780,320)
448,589		448,589
53,487		53,487
96,488		96,488
1,088,659		1,088,659
162,470		162,470
169,608		169,608
5,257		5,257
6,507	210	6,717
60,096		60,096
69,936		69,936
178,349		178,349
2,339,446	210	2,339,656
1,551,262	8,074	1,559,336
6,480,597	24,408	6,505,005
\$ 8,031,859	\$ 32,482	\$ 8,064,341

The accompanying notes are an integral part of the financial statements.

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ALLEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

ALLEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
ASSETS				
Cash and Cash Equivalents	\$ 171,011	\$ 67,363	\$ 13,599	\$ 63,572
Total Assets	<u>\$ 171,011</u>	<u>\$ 67,363</u>	<u>\$ 13,599</u>	<u>\$ 63,572</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 72,577	\$ 5,224	\$ 6,584	\$
Unreserved:				
General Fund	98,434			
Special Revenue Funds		62,139	7,015	63,572
Capital Projects Fund				
Debt Service Funds				
Total Fund Balances	<u>\$ 171,011</u>	<u>\$ 67,363</u>	<u>\$ 13,599</u>	<u>\$ 63,572</u>

The accompanying notes are an integral part of the financial statements.

ALLEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

Special Reserve Fund	Scottsville- Allen County Public Properties Corporation Courthouse Renovation Fund	Non- Major Governmental Funds	Total Governmental Funds
<u>\$ 82,733</u>	<u>\$ 10,568</u>	<u>\$ 71,993</u>	<u>\$ 480,839</u>
<u>\$ 82,733</u>	<u>\$ 10,568</u>	<u>\$ 71,993</u>	<u>\$ 480,839</u>
\$	\$	\$ 4,009	\$ 88,394
			98,434
82,733		44,414	259,873
	10,568		10,568
		23,570	23,570
<u>\$ 82,733</u>	<u>\$ 10,568</u>	<u>\$ 71,993</u>	<u>\$ 480,839</u>

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 480,839
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Governmental Funds.	19,881,450
Accumulated Depreciation	(9,088,993)
Receivable Is Not Due and Collectible in the Current Period and, Therefore, Is Not	
Reported in the Governmental Funds.	
City's Portion Of Courthouse Renovation Debt	178,349
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is	
Reported in the Governmental Funds.	
Bonded Debt Principal	(2,805,000)
Financing Obligations Principal	(614,786)
Net Assets Of Governmental Activities	<u>\$ 8,031,859</u>

The accompanying notes are an integral part of the financial statements.

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ALLEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

ALLEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 1,956,795	\$	\$	\$
In Lieu Tax Payments	54,232			
Excess Fees	5,257			
Licenses and Permits	2,220			
Intergovernmental	893,445	1,474,553	420,667	43,187
Charges for Services	55,174		55,534	
Miscellaneous	154,225	8,722	20,794	
Interest	2,689	1,181	210	353
Total Revenues	<u>3,124,037</u>	<u>1,484,456</u>	<u>497,205</u>	<u>43,540</u>
EXPENDITURES				
General Government	1,218,484			
Protection to Persons and Property	550,668		464,061	
General Health and Sanitation	151,522			
Social Services	21,795			
Recreation and Culture	32,623			
Roads		1,269,318		
Debt Service	56,202	29,915		
Capital Projects				
Administration	559,096	75,828	113,279	
Total Expenditures	<u>2,590,390</u>	<u>1,375,061</u>	<u>577,340</u>	
Excess (Deficiency) of Revenues				
Expenditures Before Other				
Financing Sources (Uses)	<u>533,647</u>	<u>109,395</u>	<u>(80,135)</u>	<u>43,540</u>
Other Financing Sources (Uses)				
Financing Obligations Proceeds	45,000			
Transfers From Other Funds	175,925		90,000	
Transfers To Other Funds	(654,907)	(50,000)		
Total Other Financing Sources (Uses)	<u>(433,982)</u>	<u>(50,000)</u>	<u>90,000</u>	
Net Change in Fund Balances	99,665	59,395	9,865	43,540
Fund Balances - Beginning	71,346	7,968	3,734	20,032
Fund Balances - Ending	<u>\$ 171,011</u>	<u>\$ 67,363</u>	<u>\$ 13,599</u>	<u>\$ 63,572</u>

The accompanying notes are an integral part of the financial statements.

ALLEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Scottsville- Allen County Public Properties			
Special Reserve Fund	Corporation Courthouse Renovation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$	\$	\$	\$ 1,956,795
			54,232
			5,257
		350	2,570
		83,315	2,915,167
		331,077	441,785
		28,982	212,723
543	932	599	6,507
543	932	444,323	5,595,036
			1,218,484
		49,814	1,064,543
		442,454	593,976
			21,795
			32,623
			1,269,318
	259,288	266,978	612,383
	414,304		414,304
		48,597	796,800
	673,592	807,843	6,024,226
543	(672,660)	(363,520)	(429,190)
		575,000	620,000
60,460	568,100	504,447	1,398,932
(25,925)		(668,100)	(1,398,932)
34,535	568,100	411,347	620,000
35,078	(104,560)	47,827	190,810
47,655	115,128	24,166	290,029
\$ 82,733	\$ 10,568	\$ 71,993	\$ 480,839

The accompanying notes are an integral part of the financial statements.

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ALLEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

ALLEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ 190,810
--	------------

Amounts Reported for Governmental Activities in the Statement of
Activities Are Different Because:

Governmental Funds Report Capital Outlays as Expenditures. However,
in the Statement of Activities the Cost of those Assets Is Allocated Over
their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	1,660,722
Depreciation Expense	(272,481)

Receivable Has Not Been Collected in the Current Period and, Therefore,
Is Not Reported in Governmental Funds.

City's Portion of Courthouse Renovation Debt	178,349
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The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides
Current Financial Resources to Governmental Funds, While Repayment of Principal
on Short-term and Long-term Debt Consumes the Current Financial Resources of
Governmental Funds. These Transactions, However, Have No Effect on Net Assets.

Financing Obligations Proceeds	(620,000)
Bond Anticipation Note Principal Payment	255,000
Bonded Debt Principal Payment	90,000
Financing Obligations Principal Payment	68,862

Change in Net Assets of Governmental Activities	\$ 1,551,262
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ALLEN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

ALLEN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 32,482
Total Current Assets	<u>32,482</u>
 Total Assets	 <u>32,482</u>
 Net Assets	
Unrestricted	32,482
Total Net Assets	<u><u>\$ 32,482</u></u>

The accompanying notes are an integral part of the financial statements.

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ALLEN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

ALLEN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Enterprise Fund
	<hr/>
	Jail Canteen Fund
	<hr/>
Operating Revenues	
Canteen Receipts	\$ 52,606
Total Operating Revenues	<hr/> 52,606 <hr/>
Operating Expenses	
Cost of Sales	38,449
Educational and Recreational	6,035
Total Operating Expenses	<hr/> 44,484 <hr/>
Operating Income	<hr/> 8,122 <hr/>
Nonoperating Revenues (Expenses)	
Interest Income	210
Inmate Pay From State	2,239
Inmate Cash Received	22,278
Inmate State Payroll	(2,237)
Inmate Refunds	<hr/> (22,538) <hr/>
Total Nonoperating Revenues (Expenses)	<hr/> (48) <hr/>
Change In Net Assets	8,074
Total Net Assets - Beginning	<hr/> 24,408 <hr/>
Total Net Assets - Ending	<hr/> \$ 32,482 <hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

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ALLEN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

ALLEN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 52,606
Cost of Sales	(38,449)
Educational and Recreational	<u>(6,035)</u>
Net Cash Provided By Operating Activities	<u>8,122</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	2,239
Inmate Cash Received	22,278
Inmate State Payroll	(2,237)
Inmate Refunds on Accounts	<u>(22,538)</u>
Net Cash Used By Noncapital Financing Activities	<u>(258)</u>
Cash Flows From Investing Activities	
Interest Earned	<u>210</u>
Net Cash Provided By Investing Activities	<u>210</u>
Net Increase in Cash and Cash Equivalents	8,074
Cash and Cash Equivalents - July 1, 2003	<u>24,408</u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 32,482</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$ 8,122</u>
Total Cash Provided By Operating Activities	<u><u>\$ 8,122</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Receivables are recognized on the Statement of Net Assets, but receivables are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Allen County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Units

Scottsville-Allen County Public Properties Corporation

The Allen County Fiscal Court appoints a voting majority of the Scottsville-Allen County Public Properties Corporation's (PPC) governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Scottsville-Allen County Public Properties Corporation. Financial information for the PPC is blended within Allen County's financial statements. All activities of the PPC are accounted for within a major (capital projects) fund and a nonmajor (debt service) fund.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Allen County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Allen County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the Fiscal Court. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Local Government Economic Assistance Fund – The purpose of this fund is to account for economic assistance funds of the Fiscal Court. The primary source of revenue for this fund is mineral severance tax from the state. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Special Reserve Fund – The purpose of this fund is to act as a reserve fund. The Fiscal Court uses this fund to segregate revenues received for special projects, such as grant revenues.

Scottsville-Allen County Public Properties Corporation Courthouse Renovation Fund – The purpose of this fund is to account for funds received from financing obligations to renovate the courthouse.

The primary government also has the following non-major funds: Corps of Engineers Fund, Disaster and Emergency Services Fund, Transfer Station and Recycling Center Fund, Jail Justice Center Bond Debt Payment Fund, Debt Service Fund, and Scottsville-Allen County Public Properties Corporation Bond Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Special Reserve Fund, Corps of Engineers Fund, Disaster and Emergency Services Fund, and Transfer Station and Recycling Center Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Capital Projects Fund:

The Scottsville-Allen County Public Properties Corporation Courthouse Renovation Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition, construction, or renovation of major capital facilities.

Debt Service Fund:

The Jail Justice Center Bond Debt Payment Fund, Debt Service Fund, and Scottsville-Allen County Public Properties Corporation Bond Fund are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services and administrative expenses. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60 years
Buildings and Building Improvements	\$ 25,000	10-75 years
Machinery and Equipment	\$ 2,500	3-25 years
Vehicles	\$ 2,500	3-25 years
Infrastructure	\$ 20,000	10-50 years

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

I. Related Organization and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointments. Based on these criteria, the Allen County Water District is considered a related organization of Allen County Fiscal Court.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following are considered jointly governed organizations of the Allen County Fiscal Court: Scottsville-Allen County Economic Development Industrial Board, Scottsville-Allen County Recreation Board, Allen County Ambulance Service, Scottsville-Allen County Planning Commission, and Scottsville-Allen County Rescue Squad.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. However, the depository institution did not have a written agreement signed by both parties with the County securing the County's interest.

Note 3. Receivable

Since the City of Scottsville owns 40% of the City/County Building, on January 28, 2002, the Common Council of the City of Scottsville voted to pay 40% of the debt service requirements on two financing obligations, Courthouse Renovation #1 and Courthouse Renovation #2, with the Kentucky Area Development Districts Financing Trust in Allen County Fiscal Court's name. The City's portion of the debt service requirements due as of June 30, 2004 was \$178,349, \$142,067 and \$36,282 respectively. Future amounts due to Allen County Fiscal Court are:

Fiscal Year Ended June 30	Governmental Activities		
	Courthouse Renovation #1	Courthouse Renovation #2	Total
2005	\$ 14,401	\$ 3,377	\$ 17,778
2006	13,388	3,382	16,770
2007	13,118	3,318	16,436
2008	14,794	3,247	18,041
2009	13,654	3,143	16,797
2010-2014	72,712	19,815	92,527
Totals	<u>\$ 142,067</u>	<u>\$ 36,282</u>	<u>\$ 178,349</u>

Note 4. Operating Leases

The Fiscal Court entered into a lease agreement for two tractors and two mowers to be used by the county road department. Payments on operating leases are included in debt service on the statement of activities. The total expense related to this lease was \$12,150 for the fiscal year ended June 30, 2004. The future minimum lease payments for this lease is as follows:

Fiscal Year Ended June 30	Amount
2005	<u>\$ 12,600</u>
Total Minimum Lease Payments	<u>\$ 12,600</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 222,700	\$	\$	\$ 222,700
Construction In Progress	82,056	248,582		330,638
Total Capital Assets Not Being Depreciated	304,756	248,582		553,338
Capital Assets, Being Depreciated:				
Buildings	3,247,998			3,247,998
Other Equipment	92,679	21,562		114,241
Vehicles and Equipment	819,087	151,588		970,675
Infrastructure	13,756,208	1,238,990		14,995,198
Total Capital Assets Being Depreciated	17,915,972	1,412,140		19,328,112
Less Accumulated Depreciation For:				
Buildings	(414,583)	(41,356)		(455,939)
Other Equipment	(13,172)	(7,185)		(20,357)
Vehicles and Equipment	(487,358)	(61,896)		(549,254)
Infrastructure	(7,901,399)	(162,044)		(8,063,443)
Total Accumulated Depreciation	(8,816,512)	(272,481)		(9,088,993)
Total Capital Assets, Being Depreciated, Net	9,099,460	1,139,659		10,239,119
Governmental Activities Capital Assets, Net	\$ 9,404,216	\$ 1,388,241	\$ 0	\$ 10,792,457

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 68,025
Protection to Persons and Property	4,262
General Health and Sanitation	6,706
Recreation and Culture	296
Roads, Including Depreciation of General Infrastructure Assets	193,192
Total Depreciation Expense - Governmental Activities	<u>\$ 272,481</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 6. Short-term Debt

In July 2003, Allen County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$978,400, with principal being due in January 2004. While the Fiscal Court did not use the borrowed funds in order to meet current General Fund expenditures, they were able to reinvest the funds and receive net interest earnings of \$284.

On December 17, 2002, Scottsville-Allen County Public Properties Corporation (Corporation) issued \$255,000 of first mortgage revenue bond anticipation notes, series 2002. These notes were issued at an interest rate of 3.30 percent. The bond anticipation notes proceeds were used for the courthouse renovation project. The bond anticipation notes were repaid on November 5, 2003.

Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities</u>				
Kentucky Advanced Revenue Program	\$	\$ 978,400	\$ 978,400	\$
Bond Anticipation Notes	255,000		255,000	
Governmental Activities				
Short-term Liabilities	\$ 255,000	\$ 978,400	\$ 1,233,400	\$ 0

Note 7. Long-term Debt

A. First Mortgage Revenue Bonds, Series 1996

On July 15, 1996, the Scottsville-Allen County Public Properties Corporation issued \$3,275,000 of first mortgage revenue bonds. These mortgage revenue bonds were issued at various rates from 5.25% through 5.70%. The bond proceeds were used for the construction of the Allen County-Scottsville Law Enforcement Center. On January 8, 1996, the Common Council of the City of Scottsville voted to lease approximately 18 percent of the building for the amount of approximately 18 percent of the debt service requirements. Total bonds outstanding as of June 30, 2004 totaled \$2,805,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 95,000	\$ 156,568
2006	100,000	151,580
2007	105,000	146,330
2008	115,000	140,817
2009	120,000	134,780
2010-2014	740,000	566,000
2015-2019	1,020,000	326,895
2020-2021	510,000	44,175
Totals	\$ 2,805,000	\$ 1,667,145

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 7. Long-term Debt (Continued)

B. Voting Machines

On September 10, 2000, the Allen County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of voting machines. The principal was \$75,600 at various interest rates for a period of four years, interest and principal paid monthly. Principal outstanding as of June 30, 2004 totaled \$5,108. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 5,108	\$ 25

C. Vehicles

- 1) On March 1, 2002, the Allen County Fiscal Court entered into an agreement with Ford Motor Credit Company. The agreement was for the purchase of a car for the Allen County Sheriff's Office. The principal was \$19,640 at a 6.55 percent interest rate for a period of three years, interest and principal paid monthly. Principal outstanding as of June 30, 2004 totaled \$4,678. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 4,678	\$ 116

- 2) On July 22, 2003, the Allen County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of cars for the Allen County Sheriff's Office. The principal was \$45,000 at various interest rates for a period of three years, interest paid monthly and principal paid yearly. Principal outstanding as of June 30, 2004 totaled \$30,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 15,000	\$ 872
2006	15,000	323
Totals	\$ 30,000	\$ 1,195

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 7. Long-term Debt (Continued)

D. Courthouse Renovation #1

On October 9, 2003, the Allen County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust. The agreement was for the purpose of courthouse renovation. The principal was \$510,000 at variable interest rates for a period of ten years, interest paid semi-annually and principal paid annually. Administrative Office of the Courts, Commonwealth of Kentucky, has pledged to pay up to \$24,600 per calendar year of the debt service requirements. On January 28, 2002, the Common Council of the City of Scottsville voted to pay 40% of the remaining debt service requirements. Principal outstanding as of June 30, 2004 totaled \$510,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 45,000	\$ 13,351
2006	45,000	12,733
2007	45,000	11,990
2008	50,000	11,060
2009	50,000	9,910
2010-2014	275,000	25,137
Totals	<u>\$ 510,000</u>	<u>\$ 84,181</u>

E. Courthouse Renovation #2

On May 21, 2004, the Allen County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust. The agreement was for the purpose of courthouse renovation. The principal was \$65,000 at variable interest rates for a period of ten years, interest paid semi-annually and principal paid annually. On January 28, 2002, the Common Council of the City of Scottsville voted to pay 40% of the debt service requirements. Principal outstanding as of June 30, 2004 totaled \$65,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2005	\$ 5,000	\$ 3,442
2006	5,000	3,456
2007	5,000	3,294
2008	5,000	3,119
2009	5,000	2,856
2010-2014	40,000	9,538
Totals	<u>\$ 65,000</u>	<u>\$ 25,705</u>

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 7. Long-term Debt (Continued)

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 2,895,000	\$	\$ 90,000	\$ 2,805,000	\$ 95,000
Financing Obligations	63,648	620,000	68,862	614,786	74,786
Governmental Activities					
Long-term Liabilities	<u>\$ 2,958,648</u>	<u>\$ 620,000</u>	<u>\$ 158,862</u>	<u>\$ 3,419,786</u>	<u>\$ 169,786</u>

Note 8. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$12,115 in interest on financing obligations and \$165,581 in interest on bonds and notes. Operating lease payments are also included in debt service.

Note 9. Parks Improvement Project Grant

Allen County Fiscal Court (Fiscal Court) was awarded a grant in fiscal year 2001 in the amount of \$200,000 from the Department for Local Government and the Office of the Governor, Commonwealth of Kentucky, to provide funds for a parks improvement project. The unexpended balance, as of June 30, 2003, was \$79,888. During fiscal year 2004, Fiscal Court received no additional funds and expended grant funds of \$779. The unexpended balance as of June 30, 2004, was \$79,109. These funds are legally restricted to be used for this grant project.

Note 10. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 11. Insurance

For the fiscal year ended June 30, 2004, Allen County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Subsequent Events

A. First Mortgage Revenue Refunding Bonds, Series 2004

On December 2, 2004, the Scottsville-Allen County Public Properties Corporation issued \$3,075,000 of first mortgage revenue refunding bonds to advance refund the first mortgage revenue bonds, series 1996, issued by the Scottsville-Allen County Public Properties Corporation for the construction of the law enforcement center. The 2004 series bonds were issued at various rates from 2.50% through 4.25%. The final maturity date of the 2004 series bonds is June 1, 2021. On January 8, 1996, the Common Council of the City of Scottsville voted to lease approximately 18 percent of the building for the amount of approximately 18 percent of the debt service requirements. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 110,000	\$ 56,698
2006	135,000	110,645
2007	135,000	107,270
2008	145,000	103,558
2009	150,000	99,208
2010-2014	845,000	413,587
2015-2019	1,055,000	236,547
2020-2021	500,000	32,060
Totals	<u>\$ 3,075,000</u>	<u>\$ 1,159,573</u>

B. First Mortgage Revenue Bonds, Series 1996

On December 2, 2004, the Scottsville-Allen County Public Properties Corporation advance refunded the first mortgage revenue bonds, 1996 series, issued by the Scottsville-Allen County Public Properties Corporation. Payments due after December 1, 2004 will be paid from the escrow account. The bonds will be called on June 1, 2006.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

Note 12. Subsequent Events (Continued)

C. Financing Obligation – Dump Truck

On August 3, 2004, the Allen County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of two dump trucks for the road department. The principal was \$100,000 at interest rate of 2.38% for a period of three years, interest paid monthly and principal paid yearly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 30,000	\$ 2,493
2006	35,000	1,773
2007	35,000	663
Totals	<u>\$ 100,000</u>	<u>\$ 4,929</u>

Note 13. Changes in Accounting Principles and Prior Period Adjustments

The county has elected to implement Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets as of June 30, 2003 for governmental activities is an increase of \$6,190,899 due primarily to capital assets previously not reported. There was no change on the beginning net assets of the business-type activities. The following is a reconciliation of net assets for June 30, 2003, as previously reported to the restated net assets balance for the same period.

	Governmental Activities	Business-type Activities
Beginning net assets at June 30, 2003	\$ 289,698	\$ 24,408
Adjustments:		
Adjustment for unrecorded net capital assets	9,404,216	
Adjustment for unrecorded liabilities	(3,213,648)	
Adjustment for prior year voided check	331	
Restated beginning net assets at June 30, 2003	<u>\$ 6,480,597</u>	<u>\$ 24,408</u>

Note 14. Estimated Infrastructure Historical Cost

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. Then cost was estimated by determining the average construction cost per mile. The average construction cost per mile was multiplied by the length of the road to arrive at estimated historical cost.

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2004

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,724,500	\$ 1,848,643	\$ 1,956,795	\$ 108,152
In Lieu Tax Payments	22,000	50,989	54,232	3,243
Excess Fees	311	5,257	5,257	
Licenses and Permits	2,500	2,500	2,220	(280)
Intergovernmental Revenue	568,600	834,742	893,445	58,703
Charges for Services	30,600	59,123	55,174	(3,949)
Miscellaneous	96,700	179,752	199,225	19,473
Interest	11,000	11,000	2,689	(8,311)
Total Revenues	2,456,211	2,992,006	3,169,037	177,031
EXPENDITURES				
General Government	1,071,140	1,228,300	1,218,484	9,816
Protection to Persons and Property	329,808	550,948	550,668	280
General Health and Sanitation	100,800	151,901	151,522	379
Social Services	17,000	21,796	21,795	1
Recreation and Culture	101,190	32,684	32,623	61
Debt Service	248,076	276,911	276,724	187
Administration	419,008	560,277	559,096	1,181
Total Expenditures	2,287,022	2,822,817	2,810,912	11,905
Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	169,189	169,189	358,125	188,936
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	212,000	212,000	175,925	(36,075)
Transfers To Other Funds	(591,189)	(591,189)	(434,385)	156,804
Total Other Financing Sources (Uses)	(379,189)	(379,189)	(258,460)	120,729
Net Changes in Fund Balance	(210,000)	(210,000)	99,665	309,665
Fund Balance - Beginning	210,000	210,000	71,346	(138,654)
Fund Balance - Ending	\$ 0	\$ 0	\$ 171,011	\$ 171,011

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

**Reconciliation of Budgetary Statement to Statement of Revenues, Expenditures, and
Changes In Fund Balances - Governmental Funds - Modified Cash Basis:**

Total Revenues per Budgetary Statement	\$ 3,169,037	
Financing Obligation Proceeds	<u>(45,000)</u>	\$ 3,124,037
Total Expenditures per Budgetary Statement	\$ (2,810,912)	
Transfers To Public Properties Corporation	<u>220,522</u>	(2,590,390)
Other Financing Sources (Uses) per Budgetary Statement	\$ (258,460)	
Financing Obligation Proceeds	45,000	
Transfers To Public Properties Corporation	<u>(220,522)</u>	(433,982)
Beginning Fund Balance per Budgetary Statement		<u>71,346</u>
Ending Fund Balance per Budgetary Statement and Statement of Revenues, Expenditures, and Changes in Fund Balances		<u>\$ 171,011</u>

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,164,755	\$ 1,465,755	\$ 1,474,553	\$ 8,798
Miscellaneous	1,000	4,319	8,722	4,403
Interest	1,500	1,500	1,181	(319)
Total Revenues	<u>1,167,255</u>	<u>1,471,574</u>	<u>1,484,456</u>	<u>12,882</u>
EXPENDITURES				
Roads	1,018,200	1,277,283	1,269,318	7,965
Debt Service	32,770	34,898	29,915	4,983
Administration	126,285	169,393	75,828	93,565
Total Expenditures	<u>1,177,255</u>	<u>1,481,574</u>	<u>1,375,061</u>	<u>106,513</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>109,395</u>	<u>119,395</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(50,000)	(50,000)
Total Other Financing Sources (Uses)			<u>(50,000)</u>	<u>(50,000)</u>
Net Changes in Fund Balance	(10,000)	(10,000)	59,395	69,395
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>7,968</u>	<u>(2,032)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67,363</u>	<u>\$ 67,363</u>

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 324,214	\$ 338,593	\$ 420,667	\$ 82,074
Charges for Services	39,000	52,014	55,534	3,520
Miscellaneous	14,700	17,760	20,794	3,034
Interest	200	200	210	10
Total Revenues	<u>378,114</u>	<u>408,567</u>	<u>497,205</u>	<u>88,638</u>
EXPENDITURES				
Protection to Persons and Property	503,253	515,370	464,061	51,309
Administration	119,200	137,536	113,279	24,257
Total Expenditures	<u>622,453</u>	<u>652,906</u>	<u>577,340</u>	<u>75,566</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	<u>(244,339)</u>	<u>(244,339)</u>	<u>(80,135)</u>	<u>164,204</u>
OTHER FINANCING SOURCES				
Transfers From Other Funds	<u>234,339</u>	<u>234,339</u>	<u>90,000</u>	<u>(144,339)</u>
Total Other Financing Sources	<u>234,339</u>	<u>234,339</u>	<u>90,000</u>	<u>(144,339)</u>
Net Changes in Fund Balance	(10,000)	(10,000)	9,865	19,865
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>3,734</u>	<u>(6,266)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,599</u>	<u>\$ 13,599</u>

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 16,000	\$ 43,187	\$ 43,187	\$
Interest	100	100	353	253
Total Revenues	16,100	43,287	43,540	253
EXPENDITURES				
Roads	17,000	17,000		17,000
Administration	100	46,319		46,319
Total Expenditures	17,100	63,319		63,319
Net Changes in Fund Balances	(1,000)	(20,032)	43,540	63,572
Fund Balances - Beginning	1,000	20,032	20,032	
Fund Balances - Ending	\$ 0	\$ 0	\$ 63,572	\$ 63,572

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

SPECIAL RESERVE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 100	\$ 100	\$ 543	\$ 443
Total Revenues	100	100	543	443
EXPENDITURES				
Administration	30,100	47,755		47,755
Total Expenditures	30,100	47,755		47,755
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(30,000)	(47,655)	543	48,198
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	12,000	12,000	60,460	48,460
Transfers To Other Funds	(12,000)	(12,000)	(25,925)	(13,925)
Total Other Financing Sources (Uses)			34,535	34,535
Net Changes in Fund Balances	(30,000)	(47,655)	35,078	82,733
Fund Balances - Beginning	30,000	47,655	47,655	
Fund Balances - Ending	\$ 0	\$ 0	\$ 82,733	\$ 82,733

ALLEN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**ALLEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

ALLEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	Corps Of Engineers Fund	Disaster and Emergency Services Fund	Transfer Station and Recycling Center Fund	Jail Justice Center Bond Debt Payment Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,083	\$ 7,348	\$ 39,992	\$ 23,566
Total Assets	<u>\$ 1,083</u>	<u>\$ 7,348</u>	<u>\$ 39,992</u>	<u>\$ 23,566</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$	\$ 2,147	\$ 1,862	\$
Unreserved:				
Special Revenue Funds	1,083	5,201	38,130	
Debt Service Funds				23,566
Total Fund Balances	<u>\$ 1,083</u>	<u>\$ 7,348</u>	<u>\$ 39,992</u>	<u>\$ 23,566</u>

ALLEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2004
(Continued)

Debt Service Fund	Scottsville - Allen County Public Properties Corporation Bond Fund	Total Non-Major Governmental Funds
<u>\$</u>	<u>\$ 4</u>	<u>\$ 71,993</u>
<u>\$ 0</u>	<u>\$ 4</u>	<u>\$ 71,993</u>
\$	\$	\$ 4,009
		44,414
	4	23,570
<u>\$ 0</u>	<u>\$ 4</u>	<u>\$ 71,993</u>

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ALLEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

ALLEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Corps Of Engineers Fund	Disaster and Emergency Services Fund	Transfer Station and Recycling Center Fund	Jail Justice Center Bond Debt Payment Fund
REVENUES				
Licenses and Permits	\$	\$	\$ 350	\$
Intergovernmental	27,090	16,735		
Charges For Services			331,077	
Miscellaneous		8,000	20,982	
Interest			216	379
Total Revenues	<u>27,090</u>	<u>24,735</u>	<u>352,625</u>	<u>379</u>
EXPENDITURES				
Protection to Persons and Property	19,676	30,138		
General Health and Sanitation			442,454	
Debt Service				
Administration	8,706	619	39,272	
Total Expenditures	<u>28,382</u>	<u>30,757</u>	<u>481,726</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,292)</u>	<u>(6,022)</u>	<u>(129,101)</u>	<u>379</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds		8,000	155,925	120,000
Transfers To Other Funds				(100,000)
Total Other Financing Sources (Uses)		<u>8,000</u>	<u>155,925</u>	<u>20,000</u>
Net Change in Fund Balances	(1,292)	1,978	26,824	20,379
Fund Balances - Beginning	2,375	5,370	13,168	3,187
Fund Balances - Ending	<u>\$ 1,083</u>	<u>\$ 7,348</u>	<u>\$ 39,992</u>	<u>\$ 23,566</u>

ALLEN COUNTY**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS****Other Supplementary Information****For The Year Ended June 30, 2004****(Continued)**

Debt Service Fund	Scottsville - Allen County Public Properties Corporation Bond Fund	Total Non-Major Governmental Funds
\$	\$	\$
8,785	30,705	350
		83,315
		331,077
		28,982
	4	599
<u>8,785</u>	<u>30,709</u>	<u>444,323</u>
		49,814
		442,454
15,685	251,293	266,978
		48,597
<u>15,685</u>	<u>251,293</u>	<u>807,843</u>
<u>(6,900)</u>	<u>(220,584)</u>	<u>(363,520)</u>
575,000		575,000
	220,522	504,447
<u>(568,100)</u>		<u>(668,100)</u>
<u>6,900</u>	<u>220,522</u>	<u>411,347</u>
	(62)	47,827
	66	24,166
<u>\$ 0</u>	<u>\$ 4</u>	<u>\$ 71,993</u>

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COMMENTS AND RECOMMENDATIONS

**ALLEN COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2004

STATE LAWS AND REGULATIONS

1) Fiscal Court Should Amend Budget For The Expenditure Of Unanticipated Revenues In A Timely Manner

KRS 68.280 requires the fiscal court to amend their budget “for the expenditure of receipts unanticipated in the original budget.” KRS 68.300 states “[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void.” During a review of the quarterly financial statement for the period ended March 31, 2004, we noted that Allen County Fiscal Court’s expenditures were over amounts budgeted for certain line items in the amount of \$728,581. These expenditures were from the General Fund, Road Fund, Jail Fund, Corps of Engineers Fund, Disaster and Emergency Services Fund, and Transfer Station and Recycling Center Fund. We recommend the Fiscal Court amend the budget for the expenditure of unanticipated revenues in a timely manner and in the future refrain from approving expenditures in excess of budgeted appropriations.

County Judge/Executive Johnny Hobdy’s Response:

None

2) Fiscal Court Should Fix Compensation For All County Employees

During our test of payroll expenditures, we were unable to find fiscal court approval for employee salaries during fiscal year 2004. KRS 64.530(1) requires the fiscal court of each county to fix the compensation of every county officer and employee except the officers named in KRS 64.535 and the county attorney and jailer. We recommend that the fiscal court fix compensation for every county officer and employee as required by KRS 64.530(1).

County Judge/Executive Johnny Hobdy’s Response:

None

**ALLEN COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2004
(Continued)**

REPORTABLE CONDITION

3) Fiscal Court Should Strengthen Internal Controls Over Receipts Of Decentralized Locations

The following significant deficiencies in the design or operation of the internal control over receipts of decentralized locations were noted:

- Fees collected at the Animal Shelter and processing, per diem, and jail bond fees collected at the Jail were not turned over to the County Treasurer for deposit in a timely manner. Kentucky Governor's Office for Local Development requires money collected be deposited daily. Money was turned over to the County Treasurer by the Animal Shelter every two to four weeks and by the Jail every two to eight weeks.
- The manual receipt tickets issued by the Jail for processing, per diem, and jail bond fees were not prenumbered.
- The Animal Shelter did not issue prenumbered receipt tickets for all fees collected.
- A log was not maintained of the amounts received from the Transfer Station. Therefore, due to the way prenumbered receipt tickets were filed, the fees collected per prenumbered receipt tickets cannot be traced to the deposit or the receipts ledger.

We recommend the fiscal court strengthen internal control over receipts of decentralized locations by requiring all locations to turn fees collected over to the County Treasurer daily, requiring all locations to issue prenumbered receipt tickets for all fees collected, and maintaining a log of amounts received from the Transfer Station.

County Judge/Executive Johnny Hobdy's Response:

None

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Johnny Hobdy, Allen County Judge/Executive
Members of the Allen County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 19, 2006. Allen County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allen County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Allen County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the comments and recommendations.

- Fiscal Court Should Strengthen Internal Controls Over Receipts Of Decentralized Locations

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Allen County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the comments and recommendations.

- Fiscal Court Should Amend Budget For The Expenditure Of Unanticipated Revenues In A Timely Manner
- Fiscal Court Should Fix Compensation For All County Employees

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
January 19, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

ALLEN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
ALLEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Allen County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer